

OPEN MEETING AGENDA ITEM

THE NEW VALUE FRONTIER

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September 10, 2010

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, AZ 85007

AZ CORP COMMISSION
DOCKET CONTROL

RE: Docket No. E-01345A-09-0338

Dear Commissioners:

Kyocera Solar, Inc. appreciates the opportunity to provide comments regarding ARIZONA PUBLIC SERVICE (APS) COMPANY - REQUEST FOR CLARIFICATION AND MODIFICATION OF RESIDENTIAL INCENTIVE (Docket No. E-01345A-09-0338) on August 2, 2010.

Kyocera Solar, Inc. (<http://www.kyocerasolar.com>) is a world-leading supplier of environmentally sound, solar electric energy solutions. With operating headquarters in Scottsdale, Ariz. and regional sales centers in the U.S., Brazil and Australia, Kyocera Solar, Inc. serves thousands of customers in both developed and developing regions. The company is a wholly-owned subsidiary of Kyocera International, Inc. of San Diego, the North American headquarters and holding company for Kyoto, Japan-based Kyocera Corporation.

As a member of the stakeholder group that helped design the RES implementation photovoltaic (PV) market, Kyocera is very pleased to see the rapid residential market growth and the increasing number of companies doing business in the state as a result of the program. Kyocera is very grateful to the Arizona Corporation Commission for its leadership and to the Arizona utility companies for their efforts to implement the RES program through close collaboration with the local industry and customers.

Kyocera strongly agrees with APS's effort to help the solar market remain strong and sustainable by reducing the incentive levels as the system installed costs decline. Kyocera believes that the goal of the program as designed was to reduce the incentives and grow the market to the point that home owners and businesses can install solar projects without rebates. This would provide a return on investment to Arizona ratepayers and would lead to lower energy costs in the long run. To that end, Kyocera offers the following comments:

Incentive Level:

Given the high demand in the residential market APS proposed to reduce the rebate from \$1.95 to \$1.75 for PV projects. Kyocera agrees with this proposal, however we suggest that applications received up to the date of the Commission vote, APS grants the \$1.95/watt to applications in the queue. This allows for a cleaner transition to the \$1.75/watt rebate and avoids contractors and customers with submitted applications having to go back and re-negotiate pricing for each project.

Arizona Corporation Commission
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"Rapid Reservation" \$1/ Watt:

Kyocera is concerned with APS proposal and Staff's implied support to let customers choose a \$1/watt in order to move his/her application to the front of the line. This approach could create confusion in the market and encourage gaming by potential unskilled installers who could cajole customers into signing up for the cheapest incentives. This would also give an unfair advantage to last minute sales over customers who have been waiting to get an approval from APS. Kyocera recommends that a trigger mechanism based on MW reserved be in place to signal customers and industry that a rebate drop is eminent so the market can prepare for the rebate drop. Utilities, ACC staff and Industry can come together and agree on said trigger mechanism and incentive level drops to be in place from 2011. The trigger can be adopted by all utilities to keep the market unified.

System Installation Cap:

As the AZ REST rules requires utilities to achieve renewable energy metrics based on measured energy rather than the number of systems installed, the proposed APS residential system installation cap should also match this standard metric to avoid forecasting errors. For example, 600 1kW systems (600 kW) is a substantial different than 600 8kW systems (4,800 kW).

In addition, Kyocera is concerned with APS's proposal to cap funding cycles at 600 projects as this would send a signal to the industry that Arizona is not anticipating growth of the PV market, but forecasting a flat self-imposed quota per funding cycle. Rather than capping funding cycles by the number of projects, Kyocera recommends a step down trigger program measured in MWs strategically divided among programmatic incentive level steps, and assigned a target amount of capacity in each step to receive an incentive based on dollars per-watt or cents per-kilowatt-hour. Once all the MW targets in a particular incentive step level are reserved via application, the incentive level offered automatically reduces to the next lower incentive step level. This creates a demand-driven incentive program that adjusts solar incentive levels based on APS territory solar market conditions. A MW step down design allows economies of scale in the Arizona solar market – as the solar market grows, its expected solar system costs will drop and incentives offered through the program decline. Having a market that is flat year over year would discourage investments from manufacturers and contractors in the State.

Conclusion

Given the popularity of the residential program, Kyocera believes that a well coordinated incentive reduction will allow Arizona to create a self-sustaining PV market within a few years. Incentives need to spur growth and encourage competition. Kyocera appreciates the opportunity to provide input to the Corporation Commission and looks forward to working with all the stakeholders to build robust and stable solar markets in Arizona.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Tom Dyer'.

Tom Dyer
Senior Vice President Government Affairs
KYOCERA Solar, Inc